Grant Thornton

Consolidated Financial Statements

Waterfront Development Corporation Limited

March 31, 2018

Contents

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Management statement on financial reporting

To the Shareholder of
Waterfront Development Corporation Limited

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. A Finance, Audit and Risk Management Committee of non-management Directors is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Directors prior to their approval of the consolidated financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The auditors review the consolidated financial statements in detail and meet separately with both the Finance, Audit and Risk Management Committee and management to review their findings. Grant Thornton LLP, Chartered Professional Accountants report directly to the Shareholder.

Jennifer Angel
Acting President & CEO
June 12, 2018

Jeff Shute, CPA, CA
Vice President Finance & Administration
June 12, 2018

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Independent auditor's report

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To the Shareholder of
Waterfront Development Corporation Limited

We have audited the accompanying consolidated financial statements of Waterfront Development Corporation Limited (the "Corporation"), which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2018, and the consolidated statements of operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Halifax, Canada
June 12, 2018

Waterfront Development Corporation Limited
Consolidated statement of operations

Year ended March 31	Budget	2018	2017
Revenues			
Provincial grant revenue	$ 16,890,653	$ 15,384,752	$ 3,154,670
Federal grant revenue	7,009,000	6,546,351	446,505
Rents	3,285,000	3,312,059	4,239,321
Tall Ships Nova Scotia Festival (Schedule 4)	2,350,000	2,758,411	750,000
Lunenburg real estate and development projects (Schedule 3)	520,000	540,609	538,140
Other income	975,000	478,944	336,873
Recoveries	460,000	292,254	273,667
	31,489,653	29,313,380	9,739,176
Expenses			
Property expenses (Schedule 1)	1,900,000	2,046,018	1,963,337
Corporate expenses (Schedule 2)	2,652,000	2,659,175	2,356,480
Lunenburg real estate and development projects (Schedule 3)	520,000	415,095	605,460
Tall Ships Nova Scotia Festival (Schedule 4)	2,350,000	2,610,160	758,916
	7,422,000	7,730,448	5,684,193
Annual surplus, before other item	24,067,653	21,582,932	4,054,983
Other item			
Gain (loss) on disposal of capital asset	(370,000)	820,192	(230,809)
Annual surplus (note 9)	23,697,653	22,403,124	3,824,174
Accumulated surplus, beginning of year	42,623,055	42,623,055	38,798,881
Accumulated surplus, end of year	$ 66,320,708	$ 65,026,179	$ 42,623,055

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Consolidated statement of financial position

March 31	2018	2017
Financial assets		
Receivables (note 3)	$ 1,773,076	$ 802,210
Receivable from Province of Nova Scotia (note 4)	3,625,759	3,772,642
Receivable from Federal government	839,765	233,020
	6,238,600	4,807,872
Liabilities		
Bank indebtedness	1,017,862	567,007
Payables and accruals (note 5)	1,882,509	3,029,207
Loan payable (note 6)	4,454,750	1,990,000
Deferred revenue (note 7)	3,486,282	3,928,924
	10,841,403	9,515,138
Net debt	(4,602,803)	(4,707,266)
Non-financial assets		
Prepaids	119,864	107,793
Tangible capital assets (note 8)	69,509,118	47,222,528
	69,628,982	47,330,321
Accumulated surplus (note 9)	$ 65,026,179	$ 42,623,055

Commitments (note 14)

On behalf of the Board

Ray Cahoon? ______ Director Dale Godsoe ______ Director

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Consolidated statement of change in net debt

Year ended March 31	Budget	2018	2017
Annual surplus	$ 23,697,653	$ 22,403,124	$ 3,824,174
Acquisition of tangible capital assets	(23,622,000)	(22,346,515)	(4,501,698)
Proceeds on disposal of tangible capital assets	-	26,837	-
Amortization of tangible capital assets	775,000	853,280	789,591
(Gain) loss on disposal of capital asset	370,000	(820,192)	230,809
	(22,477,000)	(22,286,590)	(3,481,298)
Acquisition of prepaid expense	(107,793)	(119,864)	(107,793)
Use of prepaid expense	107,793	107,793	90,874
	-	(12,071)	(16,919)
Increase in net financial assets	1,220,653	104,463	325,957
Net debt, beginning of year	(4,707,266)	(4,707,266)	(5,033,223)
Net debt, end of year	$ (3,486,613)	$ (4,602,803)	$ (4,707,266)

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Consolidated statement of cash flows

Year ended March 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Annual surplus	$ 22,403,124	$ 3,824,174
Amortization	853,280	789,591
(Gain) loss on disposal of capital asset	(820,192)	230,809
	22,436,212	4,844,574
Change in non-cash operating working capital (note 11)	(3,032,139)	(2,116,280)
	19,404,073	2,728,294
Financing		
Draw on loan payable	2,464,750	965,000
Investing		
Purchase of property and equipment	(22,346,515)	(4,501,698)
Proceeds on disposal of property and equipment	26,837	-
	(22,319,678)	(4,501,698)
Net decrease in cash and cash equivalents	(450,855)	(808,404)
(Bank indebtedness) cash and cash equivalents		
Beginning of year	(567,007)	241,397
End of year	$ (1,017,862)	$ (567,007)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Waterfront Development Corporation Limited (the "Corporation") was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor on March 30, 1976.

The Corporation's mission is to serve as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour and other locations as determined by the Shareholder as detailed in the order in Council No. 2005-373 dated August 19, 2005.

On September 20, 2005, the Corporation purchased significant holdings in the Town of Lunenburg, as well as a numbered company, 3104102 Nova Scotia Limited, which held additional properties in the town. This was done in cooperation with the Province to revitalize the working waterfront in Lunenburg.

2. Summary of significant accounting policies

The following consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies are as follows:

Basis of accounting
These financial statements are prepared on a consolidated basis in accordance with Canadian public sector accounting standards. As such, the financial position and results of operations of the 100% owned subsidiary, 3104102 Nova Scotia Limited, are consolidated into these financial statements.

Basis of consolidation
The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations that are controlled by Waterfront Development Corporation Limited. See note 12 for a description of the controlled organization.

Revenue recognition
The Corporation accounts for leases with its tenants as operating leases as all the risks and benefits of ownership are retained. Revenue is recognized when services are provided under the terms of each lease. Recovery and other revenues are recorded on an accrual basis as earned, and collectability is reasonably assured.

The Corporation receives amounts which it will use to fund future development projects. As a result, these amounts have been recorded as deferred revenue, and will be recognized as expenses are incurred on the future development projects.

Provincial and federal grant revenues are accounted for as government transfers. Government transfers are recognized as revenue when the transfer is authorized, and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. The assistance is accounted for as a deferred capital grant when amounts have been received but not all eligibility criteria have been met.

Deferred revenue
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

2. Summary of significant accounting policies (continued)

Non-financial assets
Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition, renovation and development of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10-50 years
Wharves and walkways	10-50 years
Equipment	3-10 years
Paving	10-50 years
Playground	20 years
Capital lease	45 years
Monuments	5-20 years

Assets under construction are not amortized as they are not available for use.

On an annual basis, the Corporation reviews the carrying amounts of properties held and used in the fulfilling of its mandate. This includes both revenue producing properties, as well as properties held for the greater public use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write downs are accounted for as expenses in the consolidated statement of operations.

There are ongoing negotiations for potential development projects on the Bedford, Dartmouth, Halifax, and Lunenburg waterfronts. The outcome of these negotiations and the possible financial impact on fair value of the existing land and buildings is indeterminable at this time.

Prepaids include prepaid insurance and are charged to expense over the periods expected to benefit from it.

Measurement uncertainty
The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, allowance for doubtful accounts, and liability for contaminated sites.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

2. Summary of significant accounting policies (continued)

Liability for contaminated sites
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. Waterfront Development Corporation Limited:
    - is directly responsible; or
    - accepts responsibility;
iv. a reasonable estimate of the amount can be made; and
v. it is expected that future economic benefits will be given up.

The Corporation has ownership of a significant amount of waterfront lands surrounding the Halifax and Lunenburg harbours in Nova Scotia. These lands are predominantly former industrial sites and can reasonably be anticipated to contain some level of soil contamination. The likelihood and cost of remediation cannot be reasonably estimated due to the following factors:

i. land holdings subject to potential remediation are limited to future development sites;
ii. there is no certainty around which sites will ultimately be developed; and
iii. any potential remediation costs associated with sites having been identified for potential development would be materially impacted by the type of development and the terms of the development agreement to be negotiated. This would include the development footprint and depth, as well as the public space component and terms of the development agreement.

Waterfront Development has completed responsibilities for site remediation as per the terms of the land lease with Armour Group. The land lease was signed and is effective August 1, 2017.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Cash and cash equivalents
Cash and cash equivalents are comprised of cash on hand, cash held in banks and bank overdrafts. There is an operating line loan, with credit available up to $6 million at prime rate plus 1%, which expires on June 15, 2018.

Financial instruments
Initial measurement
Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred. Financial instruments consist of receivables, receivables from Province of Nova Scotia and Federal government, bank indebtedness, payables and accruals and loan payable.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)
Subsequent measurement
At each reporting date, the Corporation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Corporation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the consolidated statement of revenues and expenses. The financial instruments measured at amortized cost are bank indebtedness, receivables, payables and accruals and loan payable.

For financial assets measured at cost or amortized cost, the Corporation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Corporation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

Non-monetary transactions
Non-monetary transactions are measured at the fair value of the assets or goods and services received or provided, whichever is more reliably determined.

3. Receivables

	2018	2017
Receivables	$ 452,749	$ 350,286
Harmonized sales tax receivable	1,344,737	467,510
Less: provision for doubtful accounts	(24,410)	(15,586)
	$ 1,773,076	$ 802,210

4. Receivable from Province of Nova Scotia

	2018	2017
Capital and operating grant receivable	$ 3,625,759	$ 3,772,642

Amount includes the insurance proceeds due from the Province of Nova Scotia for the loss incurred on the Lunenburg asset in 2014 as a result of a fire of $831,456.

5. Payables and accruals

	2018	2017
Payables and accruals	$ 1,582,861	$ 2,696,430
Salaries and benefits payable	26,272	142,966
Marketing payable	75,137	41,567
Other	198,239	148,244
	$ 1,882,509	$ 3,029,207

6. Loan payable

Cash flow resulting from the Bedford waterfront project has been used to temporarily repay the revolving operating line loan at prime rate plus 1%. If segregated funding was required or costs incurred to finance related developments and activities, the total debt would be increased from $4,454,750 to $6,499,615 through additional borrowings and other available funding as illustrated below:

	2018	2017
Demand loan	**$ 4,454,750**	$ 1,990,000
Bedford waterfront project (note 7)	**2,044,865**	2,490,336
	$ 6,499,615	$ 4,480,336

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement as at March 31, 2018:

	Balance at beginning of year	Receipts during year	Related expense incurred	**Balance at end of year**
Deposits for project developments and programs	$ 260,189	$ 2,829	$ -	**$ 263,018**
Bedford waterfront project	2,490,336	-	445,471	**2,044,865**
Development of Halifax waterfront	346,943	-	-	**346,943**
Proceeds from insurance	831,456	-	-	**831,456**
	$ 3,928,924	$ 2,829	$ 445,471	**$ 3,486,282**

Deposits for project developments and programs
The Corporation received a deposit from Southwest Properties Limited for future development of the Cunard Block property.

Bedford waterfront project
The Corporation has previously received amounts from third parties for depositing fill in Bedford. The intent is to develop the Bedford waterfront property and utilize this long-term deferred revenue in that development over future periods.

Development of Halifax waterfront
The Corporation received amounts from a third party as part of a development agreement for the Halifax waterfront; the intent is to use these funds in the development of the waterfront in future periods.

Receivable from Province of Nova Scotia for insurance proceeds
The Corporation has recorded a long-term receivable and deferred revenue for insurance proceeds related to the loss incurred on the Lunenburg asset in 2014. Revenues will be recognized as the related expenses are incurred to construct a new asset.

8. Tangible capital assets

March 31, 2018

	Land	Buildings	Wharves and walkways	Waterlots	Equipment	Paving	Capital lease	Monuments	Lunenburg (note 12)	Playground	Assets under Construction	2018 Total
Cost												
Opening balance	27,369,199	10,763,466	8,998,375	1,252,947	3,190,159	322,832	1,704,472	449,009	4,644,255	242,298	1,966,159	60,903,171
Additions	10,073,376	419,055	-	30,382	524,657	3,248	-	5,671	30,025	-	13,638,943	24,725,357
Disposals	(608,917)	-	(655,833)	-	-	-	-	-	(52,497)	-	(555,347)	(1,872,594)
Closing balance	36,833,658	11,182,521	8,342,542	1,283,329	3,714,816	326,080	1,704,472	454,680	4,621,783	242,298	15,049,755	83,755,934
Accumulated amortization												
Opening balance	-	6,474,663	2,680,672	-	1,981,514	167,780	1,490,794	301,071	524,238	59,911	-	13,680,643
Amortization	-	244,252	200,183	-	283,765	5,233	35,528	14,839	57,365	12,115	-	853,280
Disposals	-	-	(287,107)	-	-	-	-	-	-	-	-	(287,107)
Closing balance	-	6,718,915	2,593,748	-	2,265,279	173,013	1,526,322	315,910	581,603	72,026	-	14,246,816
Net book value	$ 36,833,658	$ 4,463,606	$ 5,748,794	$ 1,283,329	$ 1,449,537	$ 153,067	$ 178,150	$ 138,770	$ 4,040,180	$ 170,272	$ 15,049,755	$ 69,509,118

March 31, 2017

	Land	Buildings	Wharves and walkways	Waterlots	Equipment	Paving	Capital lease	Monuments	Lunenburg (note 12)	Playground	Assets under Construction	2017 Total
Cost												
Opening balance	$ 25,460,663	$ 10,763,466	$ 9,185,207	$ 1,238,201	$ 2,662,514	$ 483,390	$ 1,704,472	$ 481,809	$ 4,644,255	$ 242,298	$ -	$ 56,866,275
Additions	1,908,536	-	-	14,746	612,257	-	-	-	-	-	1,966,159	4,501,698
Disposals	-	-	(186,832)	-	(84,612)	(160,558)	-	(32,800)	-	-	-	(464,802)
Closing balance	27,369,199	10,763,466	8,998,375	1,252,947	3,190,159	322,832	1,704,472	449,009	4,644,255	242,298	1,966,159	60,903,171
Accumulated amortization												
Opening balance	-	6,249,956	2,566,205	-	1,817,261	223,631	1,455,266	298,057	466,874	47,796	-	13,125,046
Amortization	-	224,707	194,894	-	237,949	4,887	35,528	22,147	57,364	12,115	-	789,591
Disposals	-	-	(80,427)	-	(73,696)	(60,738)	-	(19,133)	-	-	-	(233,994)
Closing balance	-	6,474,663	2,680,672	-	1,981,514	167,780	1,490,794	301,071	524,238	59,911	-	13,680,643
Net book value	$ 27,369,199	$ 4,288,803	$ 6,317,703	$ 1,252,947	$ 1,208,645	$ 155,052	$ 213,678	$ 147,938	$ 4,120,017	$ 182,387	$ 1,966,159	$ 47,222,528

The capital lease is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

9. Accumulated surplus

	2018	2017
The accumulated surplus is made up as follows:		
Accumulated surplus	$ 51,278,350	$ 28,875,226
Contributed surplus	13,747,826	13,747,826
Share capital	3	3
	$ 65,026,179	$ 42,623,055

Authorized:
5,000 shares without nominal or par value

	2018	2017
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

An annual surplus of $22,403,124 was generated during fiscal 2018 and relates to grant revenue received of $21,931,103 for the development of specific capital projects. Development expenses related to capital projects have been capitalized to tangible capital assets resulting in the significant current year surplus. Related expenses will occur in future years in the form of amortization.

10. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Service Superannuation Plan ("PSSP"). This plan is sponsored by the Nova Scotia government, and provides benefits to the employees of multiple government organizations. Although each participating entity is responsible for its contributions to the plan, the amount for which each individual entity is obligated is not determinable based on the Province's actuarial report, and therefore no liability is recognized in these statements.

Expenses are recorded in the period when the Corporation is obligated to make contributions for services rendered by employees. During the year, the Corporation made contributions to the plan in the amount of $102,376 (2017 - $94,020).

As at March 31, 2017, the PSSP was 104.1% funded. Based on the trustees' review of the PSSP's funded health as at March 31, 2017, indexing at 0.85% per year was approved for January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made.

11. Supplemental cash flow information

		2018		2017
Change in non-cash operating working capital:				
Receivables	$	(1,430,728)	$	(3,790,761)
Prepaids		(12,071)		(16,919)
Payables and accruals		(1,146,698)		2,021,024
Deferred revenue		(442,642)		(329,624)
	$	(3,032,139)	$	(2,116,280)

12. Lunenburg investment

In fiscal 2006, the Corporation acquired real estate properties in the Town of Lunenburg by way of a 100% share purchase of 3104102 Nova Scotia Limited and direct asset purchases.

The Province provides an annual operating grant to cover any shortfall between revenues and expenditures and tangible capital asset construction or purchases.

The Lunenburg assets consist of land, buildings and wharves. These assets have been shown as a separate line item within the Tangible Capital Assets schedule in note 8 to the consolidated financial statements. This is to recognize these assets as a unique group whose title with the Corporation may not necessarily be long-term in nature, depending on decisions of the Province.

13. Related party transactions

During the year, the Corporation transacted business with various Departments and Crown Corporations of the Province of Nova Scotia. These transactions included rent charged to these entities for use of the Corporation's assets. Other revenues received from related parties include operating and capital grants. Various expenditures were incurred by the Corporation for transactions with these same related parties for payroll benefits, consulting and legal services. All transactions with related parties are in the normal course of operations and are transacted at the exchange amount agreed to by related parties.

14. Commitments

(i) The Corporation entered into an agreement with an existing combined residential and commercial building on the Halifax waterfront to allow partial early conversion of the complex into condominium units. The Corporation received total compensation of $500,000. The Corporation has committed to use the compensation on the construction of amenities on the Halifax waterfront. In the current fiscal year, the Corporation has recognized $Nil (2017 - $Nil) as deferred revenue. The Corporation has cumulatively recognized $500,000 as deferred revenue and expended $153,057 on amenities for a net deferred balance of $346,943 (refer to note 7).

14. Commitments (continued)

(ii) During the 2013 fiscal year, the Corporation issued a request for proposals for the development of the property known as Cunard Block. Southwest Properties Limited was selected as the preferred proponent based on the proposals received. The Corporation will be responsible for the design and construction of the public space component of the development. Southwest Properties will be contributing a portion of the cost and a $3 million dollar grant was approved by the Province in fiscal 2014. The Corporation plans to update this grant request in 2018-19.

(iii) A building owned by the Corporation in the Town of Lunenburg was destroyed by a fire in September 2013. The building was a total loss and demolition took place in fiscal 2015. The Corporation has recognized a receivable for insurance proceeds from the Province of Nova Scotia in the amount of $831,456 in these consolidated financial statements after expenditure of $194,206 to demolish and remediate the property. The receipt of proceeds will be contingent on a replacement property being constructed and, as such, a liability has been booked for the same amount to recognize the commitment to rebuild. The timing, cost, and likelihood of spending approval by the Province of the replacement property is not known at present.

(iv) During the year, the Corporation continued to execute its agreement with Armour Group Limited ("AGL") to develop the Queen's Marque on the Halifax waterfront, a $200 million mixed use development project including residential, office, hotel, retail, significant public space and 3 new piers. Under the agreement the Corporation will continue to own the land and manage the public space through a 99-year land lease with AGL. The Province approved a capital grant to the Corporation for $6,569,513 to bring the site to a development-ready state. The approved grant was increased to $9,955,554 during the fiscal year in order to complete the excavation and remediation of the site. Construction is substantially complete as of March 31, 2018.

(v) During the year, the Corporation continued the recapitalization of the Centre for Ocean Ventures and Entrepreneurship site ("COVE" site) on the Dartmouth side of Halifax Harbour at the site of the former Canadian Coast Guard Base. The property was purchased by the Corporation in 2015, and the $19.7 million project will be funded through a federal / provincial cost share ($7.1 million federal and $12.6 million provincial). The capital budget was increased by $2,759,460 to $22,483,403 during the year to fund information technology requirements, civil engineering and other infrastructure. The Corporation is leading design and construction in partnership with the Nova Scotia Community College, and the facility is expected to open in 2018.

15. Employee compensation

As required under the Public Sector Compensation Disclosure Act for the Province of Nova Scotia, the following are total gross compensation in excess of $100,000 for individual employees of the Corporation:

Jennifer Angel, Acting President & CEO	$ 147,583
Jeff Shute, Vice President Finance	$ 128,512
Peter Bigelow, Director of Planning & Development	$ 115,970
Adam Langley, Director of Operations	$ 108,065

16. Non-monetary transactions

During the year, the Corporation entered into agreements with third parties for the purpose of exchanging parcels of land in order to further develop the Queen's Marque property. Parcel A was appraised by a third party and the appraisal value was used to measure fair value of the land received. For Parcel B an appraisal was not obtained therefore the assessment value was used to measure the fair value of the land received. The gain on exchange of the land was accounted for as follows:

	Fair value of land received	Cost of land exchanged	Gain on exchange
Parcel A	$ 1,100,000	$ (608,917)	$ 491,083
Parcel B	805,291	(81,796)	723,495
	$ 1,905,291	$ (690,713)	$ 1,214,578

The gain on exchange has been recorded on the statement of operations within the gain (loss) on disposal of capital asset line.

17. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2018 consolidated financial statements.

Waterfront Development Corporation Limited
Schedule 1 – Property expenses

Year ended March 31	Budget	2018	2017
Expense			
Amortization	$ 775,000	$ 795,915	$ 732,226
Bedford development		-	36,753
Equipment and supplies	75,000	99,625	105,114
Insurance	130,000	139,957	123,752
Landscaping and waste removal	231,000	263,726	282,767
Miscellaneous	-	2,239	38,773
Property taxes	24,000	19,796	22,846
Repairs and maintenance	300,000	300,264	223,112
Security	170,000	137,496	152,349
Utilities	195,000	287,000	245,645
Total expenditures	$ 1,900,000	$ 2,046,018	$ 1,963,337

Waterfront Development Corporation Limited
Schedule 2 - Corporate expenses

Year ended March 31	Budget	2018	2017
Expense			
Directors' fees and expenses	$ 30,000	$ 34,992	$ 18,325
Doubtful accounts	6,000	8,825	-
Loan interest	40,000	58,439	8,855
Office operations	237,000	258,596	283,534
Professional fees			
Programs	150,000	235,500	174,026
Audit	30,000	22,133	20,502
Consulting	30,000	46,900	31,507
Legal fees	20,000	18,057	12,827
Salaries, contracts and benefits	1,859,000	1,663,827	1,661,365
Waterfront promotions and public relations	250,000	311,906	145,539
Total expenditures	$ 2,652,000	$ 2,659,175	$ 2,356,480

Waterfront Development Corporation Limited
Schedule 3 – Revenue and expense for the Lunenburg real estate and development projects

Year ended March 31	Budget	2018	2017
Revenue			
Rents	$ 207,000	$ 227,609	$ 225,140
Operating grant (note 12)	313,000	313,000	313,000
	520,000	540,609	538,140
Expense			
Administration	25,000	18,377	15,873
Amortization	-	57,365	57,365
Operating	415,000	256,099	429,007
Professional fees	80,000	83,254	103,215
	520,000	415,095	605,460
Excess (deficiency) of revenue over expenses (note 12)	$ -	$ 125,514	$ (67,320)

Waterfront Development Corporation Limited
Schedule 4 - Revenue and expense for the Tall Ships Nova Scotia Festival

Year ended March 31	Budget	2018	2017
Revenue			
Provincial grant revenue	$ 750,000	$ 800,000	$ 750,000
Federal grant revenue	500,000	600,000	-
Municipal grant revenue	500,000	540,000	-
Other income	600,000	818,411	-
	2,350,000	2,758,411	750,000
Expense			
Administration and management	200,000	341,344	167,746
Marketing	98,000	258,380	196,243
Operating	550,000	538,572	4,790
Program	1,502,000	1,471,864	390,137
	2,350,000	2,610,160	758,916
Excess (deficiency) of revenue over expenses	$ -	$ 148,251	$ (8,916)